Energy

BUSINESS PLAN 2005-08

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2005 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 21, 2005 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

[Original Signed]

Greg Melchin, *Minister of Energy*
March 24, 2005

THE MINISTRY

Alberta owns 81 per cent of the province's mineral rights. The Ministry of Energy manages the development and conservation of these resources on behalf of the people of Alberta, within the province's framework for sustainable resource and environmental management.

The Ministry of Energy consists of the Department of Energy (the Department), the Alberta Petroleum Marketing Commission, and the Energy and Utilities Board. The Minister also appoints the Board members of Alberta's Independent System Operator.

The Department manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of non-renewable resource revenues in the form of royalties, freehold mineral taxes, rentals and bonuses. The Department promotes development of Alberta's energy and mineral resources, recommends and implements energy and mineral related policy, grants rights for exploration and development to industry and establishes and administers fiscal regimes and royalty systems. The

Department's resource portfolio includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal and minerals. The Alberta Petroleum Marketing Commission accepts delivery of the Crown's royalty share of conventional crude oil and sells it at current market value. Unlike other energy commodities conventional crude oil royalties are paid with "in-kind" product. The Commission's operations are fully integrated within the Department and funded by the Crown.

The Energy and Utilities Board is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource and utility sectors. While the Board reports to the Alberta Minister of Energy, it makes its formal decisions independently in accordance with Statutes and various regulations. In 2004-05, the Board's operations were jointly funded by the Crown (40%) and by industry (60%).

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

The Ministry of Energy contributes significantly to the four pillars of the Government of Alberta's strategic plan *Today's Opportunities, Tomorrow's Promise: A Strategic Plan for the Government of Alberta*:

Unleashing Innovation – The Ministry manages Alberta's Crown-owned energy and mineral resources to achieve maximum value and long-term sustainability of these resources. The Ministry works with industry and the Alberta Energy Research Institute to encourage technological innovation which increases production from existing conventional oil and gas pools and the development of new sources through, for example, increased oil sands production and upgrading, application of clean burning coal technologies, reduced CO_2 emissions, and the development of natural gas in coal (coalbed methane).

Competing in a Global Marketplace – The Ministry maintains a competitive fiscal and regulatory regime to encourage continued investment in Alberta's energy resources. Oil and gas industry investment reached near record levels in 2003, with $15.5 billion invested in conventional oil and gas development and $5 billion in oil sands development. Investment is a key driver of job creation and business opportunities. In 2003, energy exports, valued at $39.6 billion, accounted for 70% of the value of all Alberta exports. The Ministry will continue to promote both expanded production from Alberta's oil sands and the development of Alberta as a market "hub" for northern gas.

Making Alberta the Best Place to Live, Work and Visit – The energy industry is a cornerstone of Alberta's economy and a major contributor to the current and future prosperity of Albertans. In 2003, there were approximately 121,000 people directly employed in Alberta's upstream oil and gas, utilities and mining industries. In 2003-04, over $7.6 billion in energy revenues were collected, the second highest amount collected in the province's history, largely the result of record commodity prices. These dollars support the lack of a provincial sales tax, low personal and corporate income tax rates, and the provision of priority programs and services on which Albertans depend. Conventional natural gas has accounted for almost 70% of all energy revenues but as conventional sources decline, the Ministry will increasingly rely on oil sands production and new natural gas sources such as natural gas in coal for government revenues.

Leading in Learning – The Ministry is working with industry and the education sector to increase awareness of Alberta's energy and mineral resources, industry practices and the economic significance of the energy and mineral sectors, today and in the future. The Ministry also continues to work with other departments and industry to develop energy related education curricula and expanded training opportunities.

The Ministry of Energy links to the following Government of Alberta Business Plan goals: prosperous economy (Goal 1), financially stable government (Goal 8), and to sustaining the high quality of Alberta's environment (Goal 11). The Ministry is a significant contributor to the Cross-Ministry Economic Development and Innovation Initiative and the Aboriginal Policy Initiative and is a champion for the following medium-term strategies – the Alberta Energy Innovation Strategy, the Sustainable Resource and Environmental Management Framework, and the Mineral Development Strategy.

VISION

Alberta is a global energy leader, using its world class knowledge, expertise and leadership to develop the vast energy resources of the province and to market these resources and abilities to the world.

MISSION

Optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Alberta's energy sector is not declining. It is on the verge of a transformation that will see Alberta emerge as a world energy capital. But it is an ambitious agenda that will face many challenges, requiring concerted effort and planning to succeed.

The world will continue to rely on energy from hydrocarbon sources for the foreseeable future. Alberta has abundant hydrocarbon reserves. The big opportunities will be in integrated approaches employing all of our hydrocarbon sources. The various components of Alberta's energy industry – conventional oil and natural gas, heavy oil, bitumen, coal, natural gas in coal, petrochemicals, and renewable sources – are tightly interconnected. Future solutions for one area of energy development may be found in other energy sources. For example the need to extract more oil from existing fields may be met by using CO_2 from oil sands production, while oil sands upgrading may provide new feedstocks for Alberta's refining and petrochemical industries.

Key to this new energy future will be the oil sands. Alberta's oil sands contain 174.5 billion barrels[1] of proven reserves that are recoverable using current technology and under current economic conditions. These reserves are second only to Saudi Arabia in terms of proven world reserves. The total oil sands resource is even larger, holding 1.6 trillion barrels[2] of bitumen in-place with its development limited only by technology. Production of marketable oil sands is expected to reach two million barrels per day in 2010 and grow to three million barrels per day by 2020. Our oil sands resource holds the potential to generate wealth for Alberta for decades to come not only through oil and bitumen exports but by supporting an array of value-added products and businesses. The development of this resource will challenge the expertise and skills of Albertans. It will require infrastructure, coordinated planning and new approaches to ensure we can develop this resource to its maximum value for the benefit of Albertans in an environmentally responsible manner.

Like oil sands, Alberta's conventional oil and gas resources also hold vast undeveloped potential. While current production of conventional oil and natural gas continues to decline, the reality is that 73% of Alberta's conventional oil and 41% of its gas remains in the ground because we lack the technology to extract it.[3] A renewed emphasis on energy research and development will be needed to develop another Alberta's worth of conventional resources left in place.

Alberta has about 34 billion tonnes of coal (all types) remaining in established reserves, representing a third huge potential resource.[4] While current annual production of coal (approximately 29 million tonnes) represents a small fraction of this resource, it presently supplies about 65% of the province's electricity needs. New technologies offer the potential for greater use of Alberta's abundant coal resources for power generation and industrial feedstocks.

New sources of energy will also play a key part in Alberta's new vision. Natural gas in coal holds significant potential to contribute to Alberta's future natural gas reserves. Natural gas in coal resources in-place are estimated by the Alberta

1 Alberta's Reserves 2003, Supply and Demand Outlook 2004-2013, Alberta Energy and Utilities Board.
2 ibid.
3 ibid.
4 ibid.

Geological Survey to be as high as 500 trillion cubic feet.[5] Technology to develop this resource and other sources of natural gas such as shale and tight sands could result in developable reserves as high as Alberta's conventional gas sources. Improved energy efficiency and continued development of alternative sources of renewable energy such as wind, solar, and biomass will also be needed to diversify and strengthen Alberta's overall energy portfolio.

Alberta's energy resources are expected to provide a sustained flow of revenues and economic opportunity to Albertans for many decades to come. Royalty regimes will continue to be reviewed to ensure they secure a fair share for Albertans while also attracting the investment needed to continue energy development in Alberta.

Future opportunities to develop both existing and new energy resources will result in an increased need for coordinated and environmentally sustainable planning to resolve potential conflicts with other land uses.

Alberta Energy will support implementation of Alberta's action plan on climate change while ensuring the Kyoto-related actions of the federal government do not interfere with Alberta's resource ownership responsibilities and planned energy development.

Much of Alberta's current prosperity flows from the development of provincially-owned oil and gas resources. Energy resource revenues support many of the benefits Albertans currently enjoy. Yet Albertans remain largely unaware of the potential resources beneath their feet, its challenges and opportunities, and the benefits it creates. Improved awareness and understanding is needed to support future development of energy resources and sustain benefits for future generations of Albertans. Education will also be critical to ensure future Albertans continue to lead the world in energy expertise and innovation.

STRATEGIC PRIORITIES 2005-08

Through the Ministry's review of external and internal challenges, the following strategic priorities have been identified. These are in addition to the important ongoing core activities of the Ministry.

1. Global Energy Leadership **Linkage:** **Goals 1, 2 and 3**	The Ministry will work with other government departments and industry to promote and develop Alberta as a "Global Energy Leader," building on Alberta's strengths in oil and gas exploration and development, oil sands production, energy transportation, refining and petrochemicals, research and innovative technologies, and the world class expertise and knowledge of Albertans.
2. Access for Resource Development **Linkage:** **Goals 2 and 5**	Future opportunities to develop both existing and new energy resources will result in an increased need to resolve conflicts regarding other land uses. Improving delivery of government regulatory processes and reducing costs of regulatory requirements for all parties will be needed while maintaining Alberta's high environmental standards and improving Alberta's business climate. Industry compliance with regulations and standards and protecting public safety will remain priorities for the Ministry.
3. Awareness and Understanding **Linkage:** **Goals 1, 2, 3, and 4**	The Ministry will work with industry and educators to increase Albertans' awareness of their energy and mineral resources, responsible industry practices, circumstances affecting access to the resource, technological advances in resource development and environmental management, and the importance and economic significance of the energy and mineral sectors, today and in the future.

5 Alberta's Reserves 2003, Supply and Demand Outlook 2004-2013, Alberta Energy and Utilities Board

4. Electricity Markets **Linkage: Goal 4**	Alberta is committed to an open competitive marketplace for electricity. The Ministry will continue to assess the functioning of the electricity market to encourage competitive market conditions that benefit Albertans.
5. Royalty Systems **Linkage: Goal 1**	Royalty systems will continue to be reviewed to ensure they remain competitive and Albertans continue to receive a fair share of the value of commodities. The Department will also review royalty regimes to ensure they are appropriate for future resource development and encourage enhanced resource recovery and technological innovation in the energy and mineral resource sectors.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

The Ministry has four core businesses:

Core Business 1: **Securing Benefits for Albertans** – Secure Albertans' share and benefits from energy and mineral resource development.

Core Business 2: **Resource Development** – Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development.

Core Business 3: **Energy for Albertans** – Ensure Alberta consumers have a choice of reliable and competitively priced energy.

Core Business 4: **Regulation of Energy Development by the Energy and Utilities Board** – Regulate the development and delivery of Alberta's energy resources and utilities services in a manner that is fair, responsible and in the public interest.

PERFORMANCE MEASURES

The Ministry's business plan focuses on outcomes rather than activities measures. Outcomes are the desired collective effect of our actions, processes, programs and outputs on the Alberta public – the owners of Alberta's resources – and the energy and mineral industries who develop the resources on their behalf. The Ministry's performance measures track progress towards achieving these outcomes. External factors such as market prices will affect the Ministry's ability to achieve some outcomes. Unless otherwise noted, the source for all data in this plan is the Ministry of Energy.

The following goals, strategies and performance measures have been established for each of the Ministry's core businesses.

Core Business One: Securing Benefits for Albertans

GOAL ONE — Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term

What it means Albertans receive their share of energy and mineral resource development through royalties, freehold mineral taxes, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenues from the development of provincial resources, while ensuring industry retains sufficient revenues to continue to invest in the future development of these resources.

Strategies

1.1 Continue to review Alberta's royalty regime, with a focus on oil, oil sands and natural gas, both conventional and non-conventional (natural gas in coal).

1.2 Continue to provide clear communication to industry with regards to filing information and accurate reporting.

1.3 Directly develop, manage and support, in-house, those department information management systems that are critical to ensuring Albertans continue to receive their share of resource revenues.

Performance Measures	Last Actual (year)	Target 2005-06	Target 2006-07	Target 2007-08
1.a **Sharing the Profits from Resource Development** – Crown Revenue Share – portion of industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average).	21% (2003)	20-25% (2005)	20-25% (2006)	20-25% (2007)
1.b **Audit adjustments to industry filing and reporting** adjustments as a percentage of department resource revenues (three-year moving average).	4.1% (2003-04)	Less than 2.0%	Less than 2.0%	Less than 2.0%

Notes:

1.a Alberta's resource development system is intended to capture a fair share of the revenue from the development of resources, for the benefit of Albertans, while ensuring continued investment in the development of Alberta's resources. For oil and natural gas, an indicator of this balance is the portion of industry's annual net operating revenue that is paid to the Crown as royalty.

1.b The Department audits industry filing and reporting of information used to calculate non-renewable resource revenues to ensure it is complete and accurate. Audit adjustments are an indicator of industry's understanding of, and compliance with, the Department's reporting requirements.

Audit adjustments reported are based on total absolute value of all adjustments and are accumulated on the basis of completed audits in the current year and include prior year's filings subject to the limitations of the *Mines and Minerals Act*. Resource revenues are based on the fiscal revenues as reported in the externally audited Annual Report.

Source:

1.a Canadian Association of Petroleum Producers

Core Business Two: Resource Development

GOAL TWO

Maintain the competitiveness of Alberta's energy and mineral resources

What it means Alberta needs to maintain competitive fiscal and regulatory regimes that attract industry investment while ensuring Albertans receive a fair share. Predictability, certainty, stability and a well-developed infrastructure are all features that make Alberta's resource development system a strong competitor for industry investment. The Ministry assesses the current and future state of Alberta's resource commodities, identifies development opportunities, and encourages industrial integration and maximization of value-added resource upgrading in Alberta. The Ministry is also the principal advocate nationally and internationally for Alberta's interests and rights to access, develop and manage energy and mineral resources.

Strategies

2.1 Lead Alberta's strategic participation in regional, national and international energy initiatives, promoting energy trade, agreement on North American electric reliability standards, provincial participation in international energy discussions, and improved access to international markets.

2.2 Position and market Alberta as the hub for transporting northern gas.

2.3 Advocate for optimal tolls, tariffs and access to pipelines and wires that transport Alberta energy resources to North American markets.

2.4 Develop strategies for the long-term appropriate development of the oil sands with a vision of achieving production of three million barrels per day by 2020 and the creation of significant value added opportunities.

2.5 Work with Alberta Environment, Alberta Sustainable Resource Development and the Energy and Utilities Board to implement streamlined regulatory processes for responsible and sustainable resource development.

2.6 Work with Aboriginal communities, resource developers, stakeholders and other levels of government to implement the Aboriginal Policy Framework, conduct Crown consultation with First Nations and create opportunities for Aboriginal Peoples to participate equitably in the resource economy of Alberta.

2.7 Work with other departments, the Energy and Utilities Board and the Natural Resources Conservation Board to draft a single integrated regulation that incorporates mining, safety and some approvals for non-energy minerals.

2.8 Implement an e-tenure process that results in the electronic handling of applications, posting requests, bidding, transfers and agreements.

2.9 Work with other departments, stakeholders and the federal government to implement the provincial action plan on climate change, *Albertans & Climate Change: Taking Action* while ensuring the actions of the federal government do not interfere with Alberta's resource ownership responsibilities and economic development.

Performance Measure	Last Actual (2003)	Target 2005-06	Target 2006-07	Target 2007-08
2.a **Resource Development –** Upstream industry investment in Alberta.	$20.5 billion	Equal to or greater than $15 billion (2005)	Equal to or greater than $15 billion (2006)	Equal to or greater than $15 billion (2007)

Notes:
Continued investment in Alberta's energy sector demonstrates the competitiveness and attractiveness of resource development in Alberta. The Department has the ability to influence industry's investment decisions through the royalty and tax regime, approval processes, land and market access, and regulatory environment. The Department maintains a fiscal regime which is intended, over the long term, to encourage continued development of Alberta's energy resources and collect a fair share of resource development profits.

Upstream investment includes expenditures made during the exploration and development of the resource. These costs include geological and geophysical, land, drilling, field equipment, enhanced oil recovery, plants and miscellaneous development expenses.

Source:
Canadian Association of Petroleum Producers

GOAL THREE

Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace

What it means Alberta has long enjoyed an abundant supply of oil and gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy. These other sources may include expanded oil sands development and cogeneration of electricity, the application of clean burning technologies to coal, natural gas in coal (coalbed methane) and the development of alternative sources of energy (wind, hydro, biomass). New technologies will also be needed to improve the recovery of our existing conventional resources. The Ministry analyzes economics and implements change, when appropriate, to the fiscal and tenure regimes to encourage improved resource recovery, development of new energy sources, or the application of new technologies. Diversification of energy sources will largely be market driven and, therefore, Alberta's energy resources must remain competitive in the broader global energy market. The Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Strategies

3.1 Work with other ministries to develop Alberta's resources in a sustainable, integrated and environmentally responsible manner through ongoing participation in cross-government initiatives, such as the rural development initiative, the water strategy, land use framework, integrated land management and regional land use planning initiatives.

3.2 Expand our natural gas reserves by encouraging exploration in areas that have not received sufficient evaluation to date.

3.3 Lead a cross-ministry team in the development of a multi-stakeholder report outlining recommendations to enhance regulatory processes and policies for the responsible development of natural gas in coal. Inform Albertans about the consultation process and its recommendations and monitor implementation of the recommendations.

3.4 Provide strategic research direction to the Alberta Energy Research Institute and other research organizations and work with them in the implementation of the innovative energy technologies program to encourage enhanced resource recovery. Support implementation of the Alberta Energy Innovation Strategy in the areas of: oil sands upgrading; clean coal technology; increased recovery of conventional and unconventional resources; CO_2 management; water management; and alternative energy.

3.5 Encourage industry investment in new development and expanded production of Alberta's oil sands and development of new petrochemical feedstock supplies from oil sands upgrading and processing. Support research into reducing the use of natural gas and water in oil sands production, reduced environmental impact and CO_2 emissions and the development of technical solutions that allow for economic production of both resources where natural gas occurs in association with bitumen.

3.6 Lead the establishment of processes and plans with industry and departments from the Alberta and federal governments to assure the security preparedness of Alberta's energy infrastructure.

3.7 Work with industry and the education sector to increase awareness of Alberta's energy and mineral resources, responsible industry practices and new technologies, pressures affecting access to the resource, and the importance and economic significance of the energy and mineral sectors, today and in the future.

Performance Measure	Last Actual (2003)	Target 2007	Outlook 2006	Outlook 2010
3.a **Energy Resource Portfolio Diversification –** production from new sources or extended production from existing sources.				
Oil Production (thousands of bbl/d):				
Extended Oil Recovery +	146.0		112.9++	85.3++
Oil sands	853.4		1,223.4*	1,629.9*
Natural Gas Production (Tcf/yr):				
Natural gas in coal ++	.004	Additional Production	0.02**	0.26**
Electricity Generating Capacity (MW) ++				**Outlook 2008**
Natural Gas (cogeneration)	3,226.6		3,570	3,800
Oil (crude, fuel and bitumen)	7.7		8	150
Renewables (hydro, wind, biomass)	1,217.7		1,540	1,700

Note:
This measure reflects the need for increasing diversification of Alberta's energy resource portfolio to meet future energy demands.

Sources:
* Alberta's Reserves 2003, Supply and Demand Outlook 2004-2013, Alberta Energy and Utilities Board.
** National Energy Board: Canada's Energy Future Supply; Scenarios for Supply and Demand to 2025; Supply Push Scenario.
\+ Includes all Ministry programs aimed at extending the productive life of mature conventional oil fields.
++ Alberta Department of Energy estimates.

Core Business Three: Energy for Albertans

GOAL FOUR

Maintain a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas

What it means Alberta restructured its electric industry to provide an efficient, competitive marketplace for electricity that encourages the development of new power generation and offers all consumers choice and reliability of supply. Retail natural gas has been open to choice since 1996 and the Ministry continues to strengthen its provisions for retail customer choice, having recently established similar rules for the natural gas and electricity retail markets. Through the Natural Gas Price Protection Act and regulation, the Alberta government also provides consumers with relief from high natural gas prices.

Strategies

4.1 Enable and foster competitive wholesale and retail markets for electricity, and a competitive retail market for natural gas to provide Alberta consumers with choice, innovative services, reliability and competitive prices.

4.2 Provide consumers, industry and other government agencies with clear and timely communication to increase consumer understanding of Alberta's competitive marketplace for natural gas and electricity.

4.3 Develop and implement effective legislation, policy and processes to provide predictability and certainty to industry, and ensure a reliable supply to consumers.

4.4 Continue to work with the Energy and Utilities Board, Independent System Operator, the Market Surveillance Administrator, Balancing Pool and industry to ensure that the electric transmission and distribution systems are reliable and sufficient, and provide fair and open access.

4.5 Work with other ministries, industry and the education sector to encourage energy conservation and the choice of a range of energy sources, including both renewable and non-renewable.

Performance Measures	Last Actual (year)	Target 2005-06	Target 2006-07	Target 2007-08
4.a **New Power Generation –** Margin *(MW)* between installed capacity and peak demand	2,508 (2004)	2,680 (2005)	2,830 (2006)	2,980 (2007)
Based on following information				
Installed Generating Capacity (MW):*	*11,744*	*12,000*	*12,400*	*12,800*
*Peak Demand** (MW):*	*9,236*	*9,320*	*9,570*	*9,820*
4.b **Electricity Restructuring –** CAEM – RED Index Ranking of Alberta's Restructuring In North America	4 (2003)	Top 10 (2005)	Top 10 (2006)	Top 10 (2007)
4.c **Annual Residential Natural Gas Price (ARGP) –** Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions – National Residential Natural Gas Price or NRGP ($/GJ).	-$1.75 (2004)	Annual ARGP not to exceed annual NRGP (2005)	Annual ARGP not to exceed annual NRGP (2006)	Annual ARGP not to exceed annual NRGP (2007)

Notes:

4.a Through industry investment, Alberta's net supply (margin) of electricity will be sufficient to ensure a reliable power supply.

* The sum of the maximum continuous ratings of all electricity generation facilities connected to the Alberta interconnected electric system, excluding the capacity of inter-ties with British Columbia and Saskatchewan.

** Peak Demand is the highest recorded system demand in a year as recorded by the Independent System Operator.

4.b New measures are presently being considered for electricity. The RED (Retail Electricity Deregulation) Index is compiled by the Center for the Advancement of Energy Markets (CAEM).

4.c This measure does not include Alberta's natural gas rebates.

Core Business Four: Regulation of Energy Development by the Energy and Utilities Board

GOAL FIVE

A regulatory framework for the energy and utility sectors that is fair, responsible and in the public interest

What it means The Government of Alberta has established in legislation and policy a regulatory framework intended to ensure that the discovery, development and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible and in the public interest. The development of broad

energy policy and oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The Energy and Utilities Board is responsible for implementing the regulatory process within this framework. While the Energy and Utilities Board reports administratively to the Minister of Energy, its formal regulatory decisions are made independently in accordance with the governing legislation and regulations. The Energy and Utilities Board conducts hearings and regulates the development and delivery of energy resources in Alberta. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects including resource conservation. The Energy and Utilities Board conducts inspections to ensure compliance with the regulations it administers. It also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of energy resources in Alberta. In the utility sector, the Energy and Utilities Board strives to ensure that regulated electricity and natural gas utilities provide consumers with reliable service at just and reasonable prices that also provide the owners of the regulated utilities with a reasonable opportunity of earning a fair return on their investment and recovering their costs. The Energy and Utilities Board does not regulate the wholesale commodity prices for gas and electricity.

Strategies

5.1 Streamline current regulations, requirements and processes to improve regulatory efficiency where appropriate.

5.2 Ensure industry complies with energy and utility regulatory requirements.

5.3 Resolve stakeholder conflicts and issues in a prompt and appropriate manner.

5.4 Ensure that accurate, comprehensive and current information is readily available to stakeholders.

5.5 Energy and Utilities Board will continue to work with stakeholders to address all 87 public safety and sour gas recommendations on a sustainable, measurable and reportable basis.

5.6 Continue to develop and refine Energy and Utilities Board programs that ensure the industries regulated by the Energy and Utilities Board are managing their decommissioning and reclamation liabilities appropriately.

Note: A detailed Energy and Utilities Board Business Plan is available from the Energy and Utilities Board website http://www.eub.gov.ab.ca/bbs/default.htm

Performance Measures

Energy and Utilities Board performance measures to be included in the Ministry business plan are under review. A set of detailed Energy and Utilities Board performance measures may be found on their website referenced above.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate Organizational Capacity goal, which supports all of the Ministry's core businesses, has been established to address this requirement.

GOAL SIX

Build an organizational environment for success

What it means Organizational Capacity and Effectiveness addresses the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, processes and tools to deliver the Ministry's core businesses.

Strategies

6.1 Implement human resource development and workforce planning strategies that enable us to retain, attract and develop our employees to ensure a competent and committed workforce that meets current and future needs.

6.2 Ensure easier access to and secure exchange of information required by industry and government. Increase the use of electronic service delivery (e-business) processes.

6.3 Re-invest in critical Ministry IT systems to ensure these systems are current and support critical operations.

6.4 Create and maintain emergency preparedness and response plans, including Business Resumption, Disaster Recovery, and Crisis Response.

6.5 Ensure that administration and accountability mechanisms enable effective management and continuous improvement.

Performance Measures	Last Actual (year)	Target 2005-06	Target 2006-07	Target 2007-08
6.a **Industry satisfaction –** with Department services	84% (2003)	80% or higher (2005)	n/a (2006)	80% or higher (2007)
Industry satisfaction – with Department electronic information management	94% (2003)	80% or higher (2005)	n/a (2006)	80% or higher (2007)
6.b **Stakeholder satisfaction –** with Energy and Utilities Board information and access to it.	70% (2003-04)	74%	75%	75%
6.c **Energy and Utilities Board Staff Retention –** Percentage of voluntary turnover.	3.6% (2003-04)	At a level equal to or lower than that reported by industry		

Notes:

6.a Surveying is conducted every two years.

6.c Voluntary turnover is defined as all terminations excluding downsizing, layoffs, temporary staff, casual and contract employees and Energy and Utilities Board-initiated terminations. Voluntary turnover reported by industry will be obtained from the energy industry exchange group.

Source:

6.a Environics West surveys.

EXPENSE BY CORE BUSINESS
(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
Securing Benefits for Albertans	37,801	36,614	36,614	37,578	37,884	38,149
Resource Development	28,669	29,496	29,496	29,615	29,852	30,057
Energy for Albertans	4,826	5,434	5,434	5,519	5,553	5,583
Regulation and Energy Development	127,840	119,768	125,668	130,234	132,234	133,234
MINISTRY EXPENSE	199,136	191,312	197,212	202,946	205,523	207,023

MINISTRY STATEMENT OF OPERATIONS
(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
REVENUE						
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	5,449,575	3,373,000	6,491,000	5,418,000	4,581,000	4,021,000
Crude Oil Royalty	981,268	558,000	1,203,000	923,000	518,000	439,000
Synthetic Crude Oil and Bitumen Royalty	196,775	100,000	674,000	393,000	560,000	710,000
Bonuses and Sales of Crown Leases	966,735	694,000	1,200,000	886,000	744,000	746,000
Rentals and Fees	154,280	145,000	157,000	145,000	142,000	142,000
Coal Royalty	8,577	9,000	10,000	8,000	9,000	9,000
Alberta Royalty Tax Credit	(81,607)	(95,000)	(107,000)	(93,000)	(87,000)	(84,000)
Total Non-Renewable Resource Revenue	7,675,603	4,784,000	9,628,000	7,680,000	6,467,000	5,983,000
Freehold Mineral Rights Tax	287,912	204,000	294,000	310,000	266,000	265,000
Investment Income	1,395	1,250	1,250	1,250	1,250	1,250
Industry Levies and Licences	93,968	78,509	84,409	82,009	82,009	82,009
Other Revenue	5,324	500	500	500	500	500
MINISTRY REVENUE	8,064,202	5,068,259	10,008,159	8,073,759	6,816,759	6,331,759
EXPENSE						
Program						
Ministry Support Services	1,963	1,795	1,795	1,822	1,822	1,822
Resource Development and Management	68,869	69,714	69,714	70,855	71,432	71,932
Energy and Utilities Regulation	109,458	109,768	115,668	117,234	119,234	120,234
Orphan Well Abandonment	18,382	10,000	10,000	13,000	13,000	13,000
Valuation Adjustments and Other Provisions	464	35	35	35	35	35
MINISTRY EXPENSE	199,136	191,312	197,212	202,946	205,523	207,023
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	7,865,066	4,876,947	9,810,947	7,870,813	6,611,236	6,124,736

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
Ministry Revenue	8,064,202	5,068,259	10,008,159	8,073,759	6,816,759	6,331,759
Inter-ministry consolidation adjustments	-	-	-	-	-	-
Consolidated Revenue	8,064,202	5,068,259	10,008,159	8,073,759	6,816,759	6,331,759
Ministry Program Expense	199,136	191,312	197,212	202,946	205,523	207,023
Inter-ministry consolidation adjustments	-	-	-	-	-	-
Consolidated Program Expense	**199,136**	**191,312**	**197,212**	**202,946**	**205,523**	**207,023**
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	7,865,066	4,876,947	9,810,947	7,870,813	6,611,236	6,124,736